# STATEMENT OF PAUL F. PROUTY ACTING ADMINISTRATOR OF GENERAL SERVICES BEFORE THE

# SENATE APPROPRIATIONS COMMITTEE SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT UNITED STATES SENATE

**JUNE 16, 2009** 



Chairman Durbin, Ranking Member Collins, and Distinguished Members of the Subcommittee:

My name is Paul Prouty and I am the Acting Administrator of the General Services Administration (GSA). Thank you for inviting me to appear before you today to discuss GSA's fiscal year (FY) 2010 budget request. With your permission, I would also like to provide you with an update on our efforts to implement the American Recovery and Reinvestment Act of 2009 ("Recovery Act").

GSA's FY 2010 budget request supports the Administration's commitments to build a transparent, participatory, and collaborative government through the use of new technologies as well as address significant shortfalls in our national infrastructure. The FY 2010 budget request, in conjunction with the Recovery Act, provides \$6.4 billion for capital projects involving the new construction, major modernization, and repair of Federal buildings. These projects will create new jobs for thousands of Americans and will stimulate industries that have been battered by the economic downturn. Our projects will provide jobs for constructions workers, carpenters, plumbers, electricians, architects, and engineers nationwide. Our demand for building materials will create or sustain jobs in those industries. And these projects will deliver lasting progress towards modernizing our nation's infrastructure, reducing the Federal government's consumption of energy and water, and increasing our reliance on clean and renewable sources of energy.

The budget establishes an aggressive agenda for opening Government to the American people by rapidly expanding the use of technology across the Executive Branch. The President knows that new technology is crucial to delivering greater transparency, accountability, and public participation in government. The Recovery Act has been the staging ground for the Administration's new approach to open Government through the innovative use of new technology

The FY 2010 President's Budget creates a vision of Federal IT that goes beyond increasing the public availability of Government data. Data transparency is a key goal of this Administration, but we are limited in our ability to deliver the broader goal of participatory government without substantial changes in the Federal technology infrastructure. Sound and measured investments are needed to increase collaboration across Federal agencies, to open government processes and operations – not just data – to the public, and to consolidate, standardize, and reduce common Federal IT services, and solutions.

Our FY 2010 budget request is a foundational piece for moving forward with the President's vision of transforming Government by transforming Federal information technology. We have proposed nearly \$40 million in technology investments, which will improve transparency, accountability, and public participation. The investments included in our request look to 21<sup>st</sup> Century technologies to accelerate rapidly efforts, which are often characterized as "electronic government".

Our request seeks funding to begin building the capacity in the Federal government for a culture of openness and transparency. That culture is based on innovative tools by developing new means of delivering government data, citizen services, and Federal IT infrastructure. GSA's FY 2010 budget requests the resources necessary for GSA to support the President's vision of "leveraging the power of technology to transform the Federal government". The requested investments will allow GSA to take a dramatic step forward towards expanding public participation in and access to Government data, which will help to deliver greater transparency, accountability, and public participation in government. Adopting new technologies and new ways to harness existing technology will make the Federal government more efficient, more effective, and more responsive to its citizens.

### **FY 2010 BUDGET REQUEST**

GSA's FY 2010 budget requests \$645 million in net budget authority for the Federal Buildings Fund and our operating appropriations. This amount is just 2.4% of our total planned obligations of \$27 billion. The majority of our funding is provided through reimbursements from Federal customer agencies, for purchases of goods and services or as rent paid for space in Federally-owned and –leased buildings under GSA jurisdiction, custody or control. GSA requests appropriations to support capital investments in the Federal Buildings Fund, to provide for our government-wide responsibilities, and for other activities that are not feasible or appropriate for a user fee arrangement.

## **PUBLIC BUILDINGS SERVICE**

Our FY 2010 budget requests \$8.5 billion in New Obligational Authority (NOA) and an appropriation of \$525 million for the Federal Buildings Fund. Our request proposes a capital investment program of \$1.15 billion, for projects for the Food and Drug Administration (FDA), the Federal Bureau of Investigation (FBI), U.S. Customs and Border Protection (CBP), and the Judiciary.

We have requested \$658 million in NOA for New Construction and Acquisition, including \$453.5 million for two Agency consolidations and three infrastructure and development projects, \$151 million for three land port of entry facilities, and \$53 million for two U.S. Courthouse projects. Our request includes the following projects:

- FBI Field Office Consolidation in Miami, FL (\$191 million);
- FDA Consolidation in Montgomery County, MD (\$138 million);
- Acquisition of Columbia Plaza in Washington, DC (\$100 million);
- Southeast Federal Center Remediation in Washington, DC (\$15 million);
- Denver Federal Center Remediation in Lakewood, CO (\$10 million);
- Land ports of entry in El Paso, TX; Calexico, CA; and Madawaska, ME; and
- U.S. Courthouses in Lancaster, PA and Yuma, AZ.

GSA also requests NOA of \$496 million for Repairs and Alterations (R&A) to Federal buildings. Although the funding provided in the Recovery Act gives GSA some relief from our substantial backlog of R&A needs, our inventory of aging Federal buildings

requires continued reinvestment. The R&A program will continue to be a strategic priority for GSA, and our FY 2010 request focuses on the highest priority projects in our real property portfolio.

The request includes \$176 million in NOA for four major building modernizations, \$260 million for non-prospectus level projects, and \$60 million for Special Emphasis programs. Our proposed major modernization projects are:

- East Wing (White House) Infrastructure Systems Replacement in Washington, DC (\$121 million);
- New Executive Office Building in Washington, DC (\$30 million);
- EEOB (Courtyard Replacement) in Washington, DC (\$10 million); and
- EEOB (Roof Replacement) in Washington, DC (\$15 million).

Our Special Emphasis programs would provide:

- \$20 million for Fire and Life Safety Program;
- \$20 million for Energy and Water Retrofit and Conservation Measures; and
- \$20 million for improvements necessary to transform existing Federal buildings into Federal High Performance Green Buildings.

GSA is dedicating \$40 million to our Energy and Water Retrofit and Conservation program and our Federal High Performance Green Buildings program, to help address Federal requirements for energy conservation and reduced energy consumption in Federal buildings. These Special Emphasis programs will upgrade Heating, Ventilation and Air Conditioning (HVAC) and lighting systems, install advanced metering, increase water conservation, support new renewable energy projects, and many other items that will conserve energy in Federal buildings. These programs are *in addition to* the energy conservation measures that are already incorporated into our prospectus-level New Construction and Repairs and Alterations project requests.

In fact, the Public Buildings Service (PBS) already incorporates sustainable design principles and conservation measures into the design and construction of, and repair and alteration to, many GSA Federal buildings. For example, 100 percent of the new construction projects initiated in fiscal year 2008 were registered for the U.S. Green Buildings Council's Leadership in Energy and Environmental Design (LEED). These projects will be measured against objective standards for sustainable design and construction and will receive LEED certification upon substantial completion. PBS has established a commissioning program, to ensure all building systems are working efficiently, and in a coordinated manner, upon completion of a construction project. PBS performs energy audits and environmental risk assessments on a regular basis to determine where resources should be focused.

These initiatives are just a few of the environmental measures that GSA incorporates into New Construction and R&A projects, in addition to our Special Emphasis programs. Our many environmental initiatives compliment each other to build a comprehensive

program to promote efficient use of energy and water, increased reliance on sustainable energy sources, and environmental stewardship in the Federal inventory. These programs not only benefit the environment but increase the value of our assets and reduce operating costs over the life of our buildings.

In addition to our capital program, GSA requests New Obligational Authority for our operating program, in the amount of:

- \$4.9 billion for the Rental of Space program, which will provide for 194 million rentable square feet of leased space;
- \$2.4 billion for the Building Operations program; and
- \$141 million for the Installment Acquisition Payments program.

### **OPERATING APPROPRIATION REQUEST**

While only \$270 million of GSA's proposed budget is funded through GSA's operating appropriations, the activities they fund are critical. Our operating appropriations provide for GSA's Office of Governmentwide Policy and the Chief Acquisition Officer, the many government-wide programs of the Operating Expenses account, the Electronic Government Fund, the pensions and office staffs of former Presidents, and the Federal Citizen Services Fund.

The largest increase in our request is for major new government-wide E-Government initiatives, supported by the CIO Council and under the auspices of the new Federal CIO. The proposed increase of \$33 million in this account would be used to address initiatives in the area of Open Government and Transparency, to move agencies to realize large potential savings through alternative approaches to IT infrastructure, to increase agency use of collaborative technologies, and to advance the adoption of new tools to support innovations in how the Federal government relates to citizens, the private sector, and State and local governments.

Additional funds requested for GSA operating appropriations include increases for the Federal pay raise and inflation, along with proposed program increases to:

- develop high performance green building standards for all types of Federal facilities:
- develop and enhance multiple government-wide databases to improve Federal reporting and transparency;
- provide additional training support for the Federal Acquisition Institute, supporting acquisition workforce of all civilian Executive agencies; and
- reflect the full-year cost of the pension and related benefits for former President George W. Bush.

#### FEDERAL ACQUISITION SERVICE

The Federal Acquisition Service (FAS) had a very successful year in FY 2008. Revenues increased by 4.6 percent last year, making FY 2008 the first year since FY 2004 that GSA has seen revenue growth across the combined programs of FAS. FAS

also realized a solid two percent increase in cash collections from our multiple award schedules program. Business with the Department of Defense, FAS' largest customer, increased by three percent in FY 2008. This "business resurgence" is the result of a concerted effort to reduce operating costs, standardize the fees we charge our customers, and restructure our service offerings. Today, GSA and FAS are delivering value to our customers by offering products and services that meet or exceed their expectations.

After three years of cost cutting, a protracted hiring freeze, and a major realignment of staff out of the Assisted Acquisition Services portfolio, to other parts of FAS and GSA, we are beginning to realize benefits. FAS now has a workforce that is better aligned with its workload, strong cash balances in the Acquisition Services Fund (ASF), and a stable organizational structure to support a strong mix of programs, which deliver value to customers. However, many years of cost cutting and reorganization have created new challenges for FAS, as major IT investments have been deferred, and staffing levels were reduced across all organizations. GSA must now begin to strategically invest in the FAS infrastructure and workforce to ensure a successful future.

Our future depends on investments in technology and continued process improvements in FAS. Short term investments in information technology tools, such as business intelligence, will improve our ability to understand the buying patterns of FAS customers. Business intelligence will improve our ability to help customers make better procurement decisions, which will result in more efficient use of Federal funds and more effective Government. Additional technology investments must be made to FAS legacy systems, that are as much as 35 years old. FAS has also implemented a Lean Six Sigma program. Lean Six Sigma is a process improvement methodology focused on improving efficiency and quality while reducing costs. Private sector experience suggests that Lean Six Sigma initiatives can produce significant improvements. FAS has already launched several Lean Six Sigma initiatives, which we expect to begin generating efficiency gains in FY 2010 and beyond.

FAS also supports the entire Federal community in promoting good-for-Government initiatives, such as strategic sourcing. Strategic sourcing uses business intelligence to analyze customer spending data and makes recommendations to increase the efficiency and effectiveness of acquisitions. GSA participates in the government-wide Federal Strategic Sourcing Initiative (FSSI), and has established an FSSI Program Management Office in FAS. FAS manages three major FSSI commodity categories: Domestic Delivery Services, Wireless Telecommunications Expense Management Services, and Office Supplies.

In FY 2008, the Domestic Delivery Services contract had 57 participating agencies, boards, and commissions, with a total estimated spend of \$94.7 million and \$33.8 million in estimated savings. Wireless Telecommunications Expense Management Services expects to save agencies 25 to 40 percent off their wireless cost of operations. And FSSI Office Supplies has grown to over 50 participating Federal agencies, boards,

and commissions, with \$10 million in spend. Eighty-nine percent of this work is conducted with small business.

GSA and FAS also actively encourage our Federal agency customers to consider the environmental impact of their acquisition decisions. FAS offers a specially designed page, within GSA Advantage, which allows customers to shop by "Environmental Specialty Category." This application enables customers to search for products and services that are environmentally friendly, contain recycled content, or are bio-based. Customers are able to save time and make informed procurement decisions, as GSA has brought a wide range of products into a common procurement tool. In addition to offering environmentally friendly products, GSA has also a Multiple Award Schedule (Environmental Services, GSA Schedule 899) that is dedicated to environmental services. This schedule provides access to services from environmental clean up and remediation and waste management and recycling services, to consulting services.

The GSA Vehicle Leasing program (GSA Fleet) is another example of our leadership in "Green Government". GSA Fleet enables agencies to fulfill their missions and meet their environmental responsibilities, offering over 80,000 alternative fuel vehicles (AFVs) that are leased to customers to meet their transportation needs. The use of AFVs across the Federal government helps to reduce petroleum consumption, introduces more efficient vehicles into the Federal fleet and reduces greenhouse gas emissions. This GSA program also helps agencies better meet the requirements of multiple environmental statutes and regulations, including the Energy Policy Act and the Energy Independence and Security Act of 2007.

FAS is well positioned to continue as a leading acquisition organization for the Federal government and assist agencies in achieving their missions in support of the American taxpayer.

# **AMERICAN RECOVERY AND REINVESTMENT ACT**

The American Recovery and Reinvestment Act ("Recovery Act") has provided GSA with an unprecedented and exciting opportunity to contribute to our nation's economic recovery, by investing in green technologies and reinvesting in our public buildings.

The Recovery Act provided GSA's Public Buildings Service with \$5.55 billion, including \$1.05 billion for Federal buildings, U.S. courthouses, and land ports of entry, and \$4.5 billion to convert Federal buildings into High Performance Green Buildings. In addition, the Recovery Act provided the GSA with \$300 million to replace motor vehicles across the Federal fleet with those that are new and more efficient.

Today, I would like to provide you with an update on GSA's efforts to implement the Recovery Act.

# FEDERAL BUILDINGS FUND - RECOVERY ACT

As of June 5, PBS had awarded contracts totaling \$244 million, to begin the construction, modernization, or repair of 25 Federal buildings across the country. We have obligated \$213 million towards measures to convert GSA facilities to High-Performance Green Buildings, including modernizations of the Thurgood Marshall U.S. Courthouse in New York, the Birch Bayh U.S. Courthouse and the Minton-Capehart Federal Building in Indianapolis, IN, and the Denver Federal Center in Lakewood, CO. We have also obligated \$30 million for the construction of new, energy-efficient Land Ports of Entry at Calais, ME, and the Peace Arch at Blaine, WA.

The Recovery Act funds that were provided for investments in Federal buildings will provide many direct and meaningful benefits. First, the money will help the Federal government reduce energy and water consumption and improve the environmental performance of the Federal inventory of real property assets. Second, much of the funding provided will be invested in the existing infrastructure, which will help reduce our backlog of repair and alteration needs. This will increase the value of our assets and extend their useful life. Third, the funds provided for New Construction will reduce our reliance on costly operating leases, by providing more government-owned solutions to meet the space requirements of our customers. Finally, we will stimulate job growth in the construction and real estate sectors and drive long-term improvements in energy efficient technologies, alternative energy solutions, and green building technologies.

We know this is not business as usual and we are moving forward with speed, tempered by careful consideration of our procurement responsibilities and our ultimate accountability to the taxpayer. In order to streamline business processes and provide tools and resources to assist GSA's regional Recovery project delivery, the Public Buildings Service (PBS) has established a nationally managed, regionally executed Project Management Office (PMO). The PMO works closely with counterparts in the core PBS organization to leverage PBS resources and expertise. This national operation will be accountable for the following:

- Develop and maintain consistent processes, policies and guidelines;
- Manage customer requirements and expectations at the national level:
- Drive successful project oversight and management;
- Ensure accurate tracking and reporting of Recovery Act funds;
- · Manage cross-agency resources; and
- Enable PBS to adopt leading practices in the PBS organization generally.

PBS and the PMO have moved forward quickly. On March 31st, GSA delivered to Congress a list of 254 projects in all 50 states, the District of Columbia, and two U.S. territories to be completed with funds provided by the Recovery Act. These projects fall into the following categories: new Federal construction; full and partial building modernizations; and limited-scope, high-performance green building projects. In the new Federal construction category, we will invest \$1 billion in 17 projects; in the building modernization category, we will invest \$3.2 billion in 43 projects; and in the limited-scope green buildings category, we will invest \$807 million in 194 projects. This totals over \$5 billion. GSA selected the best projects for accomplishing the goals of the

Recovery Act based on a detailed analysis of a number of factors. Our goals in developing this list were to both put people back to work quickly and increase the sustainability of our buildings.

Many of the projects in the new Federal construction and building modernization categories have previously received partial funding. We can start construction quickly on these projects, while also identifying ways that existing designs can be improved. These categories include projects such as the Bishop Henry Whipple Federal Building in Fort Snelling, Minnesota, a multi-tenant office building project where Heating, Ventilation and Air Conditioning (HVAC), plumbing, electrical and life safety improvements are expected to deliver 23.6% energy savings, once the project is completed. This is over and above the 20% in energy savings already achieved in this building in recent years.

An example of the innovative improvements we will be making in some of the construction and modernization projects is the Edith Green - Wendell Wyatt Federal Building in Portland, Oregon. As part of this project, GSA will install a new high-performance double glass enclosure over the entire building, which will dramatically enhance energy performance and blast resistance. On the west facade, vegetative "fins" will provide shade, reducing the load on the new high-efficiency HVAC system that will be installed. These are just some of the "green" improvements GSA will make as part of this project. We expect the building to attain a LEED Gold rating.

By using well-established contracting techniques we can start work quickly, and make simultaneous improvements to the existing designs.

In the limited scope category, we have identified a number of projects that can rapidly be deployed in many buildings at once – buildings as varied as the Oklahoma City Federal Building, the Burlington Federal Building U.S. Post Office and Courthouse, and the J. Caleb Boggs Courthouse and Federal Building in Wilmington, Delaware. Through these projects, we can make significant improvement to the energy performance of a building and also improve the working conditions for the people in them.

Greening our buildings will be an ongoing process. As the Subcommittee knows, the Energy Independence and Security Act of 2007 (EISA) and other laws require GSA, among other things, to reduce its energy consumption by 30 percent by 2015; reduce fossil fuel-generated energy consumption in our new buildings by increasing amounts – from 55 percent in 2010 to 100 percent in 2030; and "green" an even greater portion of our inventory. Although the Recovery Act will accelerate our progress in these areas, that alone will not enable us to meet these goals. Our FY 2010 budget request provides the next steps in a long-term program to meet the aggressive goals of EISA and related legislation.

### ENERGY-EFFICIENT FEDERAL MOTOR VEHICLE FLEET PROCUREMENT

GSA's strategy to improve the energy-efficiency of the Federal fleet balances energy-efficiency goals with the need to expedite procurement, in order to maximize economic benefit for the auto industry and the economy as a whole. GSA is focusing this procurement on vehicles that will provide long-term environmental benefits, and cost savings, by increasing the fuel efficiency of the Federal fleet. GSA will use newer and more fuel-efficient vehicles and advanced technologies, while at the same time spending funds quickly to provide immediate stimulus to the economy and the automotive industry.

GSA is procuring new motor vehicles only to replace, on a one-for-one basis, operational motor vehicles in the Federal inventory that currently meet replacement standards, so as to not increase the overall size of the Federal fleet. Each vehicle purchased will have a higher miles-per-gallon rating than the vehicle it replaces and the overall procurement will provide a minimum of a 10 percent increase in fuel efficiency over the replaced vehicles.

GSA will only acquire motor vehicles that comply with all Federal environmental mandates. These vehicles will be included in the alternative fuel vehicle-acquisition compliance calculations of the Energy Policy Act of 2005, as well as the petroleum reduction and alternative fuel use increase requirements of Executive Order 13423, "Strengthening Federal Environmental, Energy, and Transportation Management". Vehicles acquired under this procurement will meet, or exceed, standards for greenhouse gas emissions which were established in the Energy Independence and Security Act of 2007.

On April 14, 2009, GSA obligated \$77 million to order 3,100 hybrid vehicles for Federal agencies using Recovery Act funds. The vehicles in this initial order are a mix of Chevrolet Malibus, Saturn Vues, Ford Fusions and Ford Escapes. This purchase represents the largest one-time procurement of hybrid vehicles for the Federal fleet.

On June 1, 2009, GSA obligated an additional \$210 million. To date, we have obligated \$287 million, and ordered 17,200 motor vehicles with funds provided by the Recovery Act.

In the final phase of this procurement, GSA will order \$13 million worth of Compressed Natural Gas (CNG) and hybrid buses and low-speed electric vehicles, by September 30, 2009. While this is the smallest segment of the plan, we are excited by the fact that the vehicles purchased will replace some of the highest-emission vehicles in the Federal fleet with much lower-emission vehicles, which will reduce fuel consumption and further the Federal government's exploration of the use of alternative fuels.

# **SUMMARY STATEMENT**

Today, I have discussed our FY 2010 budget request, the Recovery Act, and GSA's eagerness to undertake the new challenges that lie ahead. We at GSA are strongly committed to ensuring that the responsibilities entrusted to us are exercised in a manner that is effective, efficient, and transparent. My task, and the task of everyone at

GSA, is to keep building on our recent successes and to fulfill GSA's mission to acquire the best value for taxpayers and our Federal customers, while exercising responsible asset management.

We look forward to carrying out our role in the Recovery Act, to responsibly deliver modernized and energy-efficient Federal buildings and motor vehicles, and to stimulate the economy by creating jobs and outlaying Federal funds to industries in crisis. Your approval of GSA' budget request for FY 2010 is a vital step in helping us achieve our mutual goals of economic recovery, energy efficiency, and increased citizen engagement in Government. GSA is committed to delivering on these goals, contributing to the long-term objectives of the Administration, and providing the best use of taxpayer funds.

### **CLOSING STATEMENT**

Mr. Chairman, this concludes my formal statement. I look forward to continuing this discussion of our FY 2010 budget request with you and the Members of the Subcommittee.